

Operational Policy Letter #16

Department of Health & Human Services

Health Care Financing Administration

Medicare Managed Care

June 9, 1995

MILITARY TREATMENT FACILITIES AND VA HOSPITALS (MTF/VA)

Issue:

Several Medicare risk contractors have argued that the Adjusted Average Per Capita Cost (AAPCC) payment methodology is artificially low in counties with a high number of military retirees and HCFA should adjust the AAPCC accordingly. These risk contractors contend that:

- Military retirees and veterans often go to MTF/VA facilities instead of using Medicare providers;
- because Medicare doesn't pay for the service, its cost is not reflected in the United States Per Capita Cost (USPCC), which is the base-rate for the AAPCC;
- therefore, these plans conclude, the base rate is artificially low in counties with high numbers of beneficiaries using MTF/VA facilities.

Operational Policy Question:

Will HCFA consider an adjustment to the AAPCC based on MTF/VA issues?

Answer:

A HCFA workgroup examined the MTF/VA issue from December 1994 through May 1995. The workgroup also received data and technical input from one of the risk contractors that perceived itself to be adversely affected by the large number of military retirees in their Medicare service area.

After careful analysis by agency actuaries and other technical experts, HCFA has concluded that insufficient grounds exist to develop an MTF/VA adjustment to the AAPCC. The data were inconclusive and therefore insufficient to justify modification to the AAPCC.

Contact:
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